

REMARKS

Reconsideration of the application in light of the amendments and the following remarks is respectfully requested.

Status of the Claims

Claims 1-74 are pending. Claims 7, 11, 12, 19 and 29 have been amended to address minor informalities without narrowing the claim scope. Claims 32-74 have been added. No new matter has been added.

Rejection Under 35 U.S.C. § 101

Citing MPEP § 2106, Examination Guidelines for Computer Related Inventions ("Guidelines"), the Examiner rejected claims 1-31 under 35 U.S.C. § 101 for being directed to non-statutory subject matter, particularly, an abstract idea. The Examiner contends that:

Claims 1-31 merely manipulate an abstract idea that is not within the technological arts. Mere ideas in the abstract (i.e., abstract idea, law of nature, natural phenomena) that do not apply, involve, use, or advance the technological arts fail to promote the "progress of science and the useful arts" (i.e., the physical sciences as opposed to social sciences, for example) and therefore are found to be non-statutory subject matter.

(Detailed Office Action., pages 2-3, emphasis added.)

According to the Examiner, "to be statutory, the utility of an invention must be within the technological arts," which according to the Examiner means "the application of science and engineering to the development of machines and procedures in order to enhance or improve human conditions, or at least to improve human efficiency in some respect." Specifically the Examiner notes that if one looks to the present specification "the invention appears not to be implemented on any specific apparatus. It is clear that the claimed invention are [sic] intended to

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be directed to the abstract method apart from the apparatus for performing the method." (Detailed Office Action, page 3.) Applicants respectfully traverse this rejection.

If by "technological arts" the Examiner is referring broadly to improvement of the human condition, then she is incorrect about the disclosure of the specification. Clearly the present invention is directed to allowing companies with low growth rates, but stable and predictable streams of revenue, to raise capital through initial public offerings. This is clearly of benefit to the human condition. If by "technological arts" the Examiner is referring to engineering as opposed to financial transactions, then her statement of the law is incorrect. In the Guidelines the only references to "technological arts" are in sections 2106 II. A (MPEP page 2100-7); IV. B. 2 (a) & (b) (MPEP pages 2100-15 through 18). In those sections it is clear that as regards process claims, a claim is limited to a practical application in the technological arts if it "produces a concrete, tangible and useful result; i.e., the method recites a step or act of producing something that is concrete, tangible and useful." (MPEP, page 2100-18.) In *State Street Bank & Trust Co. v. Signature Financial*, 149 F.3d 1368, 1373 (Fed. Cir. 1998), which is cited with approval by the Guidelines, the court stated that:

Today, we hold that the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation because it produces "a useful, concrete and tangible result" — a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades.

Using claim 19 as an example with respect to the process claims of the application, it clear that it produces a useful, concrete and tangible result, i.e., "offering the unit for purchase and sale." If anything, this result is more useful, concrete and tangible than the final share price

of *State Street*, because it calls for the actual trading of the share. The result of claim 23 is "offering the second unit for purchase and sale." Claim 28 results in "effecting the transfer of ownership of at least one of the equity and debt." Further, it is clear that at least a portion of the invention is carried out in a computer. See, Specification page 14, line 11 (software reference); Specification page 14, lines 9-15 (electronic files, a computer database and electronic book-entry changes).

As regards the article claims, the MPEP states that a "claim limited to a machine or manufacture, which has a practical application in the technological arts, is statutory. In most cases, a claim to a specific machine or manufacture will have a practical application in the technological arts." (MPEP, page 2100-15.) It is clear that claims 1, 7, 17 and 30 are directed to "an article suitable for trade." Such an article is a useful, concrete and tangible item. These articles as stated in the specification include electronic files in the electronic book-entry system of DTC or actual certificates. (Specification, page 15, lines 10-12.)

The Guidelines instruct that the Examiner should point out statements made in the Specification that identify all practical applications for the invention, and that the Examiner should rely on such statements throughout the examination. (MPEP page 2100-6.) Further, the Guidelines instruct the Examiner that "only one [practical application] is necessary to satisfy the utility requirement." In the present case it appears that the Examiner has not noted the practical applications of the invention, which are clearly set forth in the specification.

Mere inspection of claims 1-31 reveal that the recited subject matter is more than the manipulation of an abstract idea, is not a disembodied mathematical algorithm, and does provide results which are "useful, concrete, and tangible." The article suitable for trade, as recited in independent apparatus claims 1, 7, 17 and 30, is "accepted and relied on by regulatory authorities

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and in subsequent trades." *State Street* at 1373. It represents equity and subordinated debt in a predetermined ratio, and is a new form of a capital structure for a company. The article provides a structure for owners of privately held companies to raise capital through a public offering. (Specification, page 10, lines 20-24.) Holders of the article get one security but can receive two streams of revenue: a dividend payment from the equity portion, and interest payments from the subordinated debt portion. The article is available for purchase by the investing public. Certainly these are all useful, concrete, and tangible results provided by the article suitable for trade defined by these claims. The method claims provide for creation of this article and its offer for sale and purchase.

The Examiner further contends that the subject matter of claims 1-18 and 30-31 is non-functional descriptive material *per se* — a compilation of facts or data merely stored so as to be read or outputted by a computer without creating any functional interrelationships. Applicants respectfully disagree. Unlike music, literature or photographs, the article suitable for trade recited in the claims represents equity and subordinated debt in a prescribed way and a predetermined ratio. Thus, a functional interrelationship exists between the components of the article and provides ownership to holders irrespective of whether it is read by a computer. A review of the MPEP §§ IV.B.1.(a, b), pages 2100-13 to 2100-14, makes clear that the article suitable for trade is not remotely akin to the examples of music, art, literature, and photographs. Nor is the claimed subject matter merely a computer data structure representing descriptive material, but, as demonstrated above, a new form of capital structure for a company, a tradeable security. The present invention is not like a compact disc holding music, but a creation of an "all-new asset class" with practical application. (See, e.g., "Who Said the Market is Unpredictable," Advertisement by the American Stock Exchange, *Barron's*, December 8, 2003,

page 6 (commenting on a commercial implementation of a claimed embodiment) (cited to the Examiner in an Information Disclosure Statement submitted July 15, 2004).)

Moreover, the equity and subordinated debt in the tradeable unit are transformed or reduced to a different state or thing when represented by the structure of the claimed article suitable for trade. In the present invention the claimed structure has a separate identity from the underlying equity and debt. As recited in the Specification page 13, lines 10-22, that separate identity is given as distinct uniquely identifying references, for example a CUSIP number. Further, Standard & Poors ("S&P"), a rating agency known for its expertise in evaluating and analyzing financially related subject matter, stated that:

"Essentially, the debt and equity replaced by [the claimed article], is not equal to the debt and equity that make up the [claimed article]"

(*S&P says Income Securities Hurt Credit Quality*, Liz Rappaport, Dow Jones Newswire, April 28, 2004.) This article was cited by Applicants to the Examiner in an Information Disclosure Statement submitted July 15, 2004. Unequivocally, S&P concludes that the claimed unit is not simply an aggregation of equity and debt. Rather, S&P concludes the claimed unit necessarily is a transformation of the component parts. Further, the claimed article has been approved by the U.S. Securities and Exchange Commission and is actually traded on the American Stock Exchange under the symbol "CVP." Thus, the transformation of equity and subordinated debt as represented by the tradeable unit results in a claimed article which is "accepted and relied on by regulatory authorities and in subsequent trades." *State Street* at 1373.

For each of the foregoing reasons, Applicants submit that the claimed article is statutory subject matter.

Summary

For the foregoing reasons Applicants submit that claims 1-31 are in conformance with the requirements of 35 U.S.C. § 101. Therefore, Applicants request withdrawal and reconsideration of the rejection.

Rejection Under 35 U.S.C. § 102

Claims 1-31 stand rejected under 35 U.S.C. 102(e) as being anticipated by *Alert Memorandum: U.S. Federal Income Tax Issues Related to Income Deposit Securities*, Cleary, Gottlieb, Steen & Hamilton, January, 7, 2004 ("Alert Memorandum"). Applicants respectfully traverse this rejection.

The Alert Memorandum is a printed publication and not a patent or a published patent application. According to 35 U.S.C. § 102 "[a] person shall be entitled to a patent unless — . . . (e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent" Applicants respectfully submit that the Alert Memorandum does not qualify as prior art under 35 U.S.C. § 102(e) because the Alert Memorandum is neither a published application for patent nor a patent. Withdrawal and reconsideration of the rejection is requested.

Applicants submit that claims 1-31 are also patentable over the Alert Memorandum for at least the following reasons.

The Alert Memorandum has a publication date of January 7, 2004. The present application was filed April 28, 2004, and claims priority to Provisional Application No. 60/539,526, filed January 26, 2004. Thus, the present application has both a filing date and a

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priority date that are less than a year after the publication date of the Alert Memorandum. Therefore, Applicants submit that the Alert Memorandum does not qualify as prior art under 35 U.S.C. § 102(b), which provides that a person is entitled to a patent unless "the invention was patented or described in a printed publication . . . more than one year prior to the date of the application for patent in the United States."

Applicants note that 35 U.S.C. § 102(a) provides that a person is entitled to a patent unless "the invention was . . . described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent." Applicants attest that the invention defined by the pending claims have an invention date which is earlier than the January 7, 2004 publication date of the Alert Memorandum. In support of this earlier date of conception, Applicants are filing herewith a Declaration Under 37 C.F.R. § 1.131, signed by the inventors on MONTH DAY, 2004. Therefore, Applicants respectfully submit that the Alert Memorandum does not qualify as prior art under 35 U.S.C. § 102(a).

Added Claims 32-74

Claims 32-74 have been added to the application to more completely cover the subject matter of Applicants' invention. The added claims are modeled after original claims 1-31, and recite certain structural features, interrelationships, or practical applications having a useful concrete, and tangible result that are believed to render moot any issues under 35 U.S.C. § 101 that the Examiner may otherwise raise.

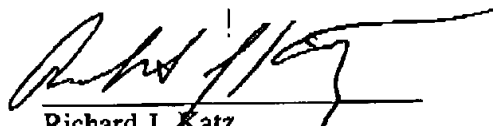
CONCLUSION

Each and every point raised in the Office Action dated September 8, 2004 has been addressed on the basis of the above amendments and remarks. In view of the foregoing it is

believed that claims 1-74 are in condition for allowance and it is respectfully requested that the application be reconsidered and that all pending claims be allowed and the case passed to issue.

If there are any other issues remaining which the Examiner believes could be resolved through a Supplemental Response or an Examiner's Amendment, the Examiner is respectfully requested to contact the undersigned at the telephone number indicated below.

Respectfully submitted,



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Dated: December 3, 2004

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